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TAGS: [PGOV](#) [ECON](#) [ETRD](#) [EINV](#) [SOCI](#) [PREL](#) [CH](#)  
SUBJECT: CHONGQING PARTY SECRETARY BO XILAI ON U.S.  
INVESTMENT, HISTORICAL TIES IN MARCH 13 MEETING

Classified By: Ambassador Clark T. Randt, Jr.  
Reasons 1.4 (b) and (d).

#### Summary

11. (C) New Chongqing Party Secretary Bo Xilai emphasized the historical ties between Chongqing and the United States, as well as investment opportunities for U.S. firms, during a March 13 meeting with the Ambassador. Coming across as an energetic salesman for his region, Bo claimed that the Central Government's "master development plan" envisions a "great expansion" of Chongqing's population and area so as to turn the area into western China's "economic center." Bo hoped U.S. firms would "take the lead" in expanding Chongqing's foreign trade, citing manufacturing, environmental protection, energy conservation and information technology sectors as holding the greatest investment opportunities. Bo said his greatest challenge is to make Chongqing a "real metropolis" by increasing the city's urbanized population, as two-thirds of its 32 million residents currently are rural, explaining that Chongqing has been designated an "experimental area" for coordinated urban-rural development. At the ongoing National People's Congress (NPC) session, Chongqing is focused on new industries, the new socialist countryside and the Great Western Development Plan, as well as the Central Government's increased investment in education, social security and health care. Bo claimed to have "many channels" for keeping his finger on the public pulse, but he railed against the Internet and television, arguing they, especially TV, are filled with "junk" that leads to "bad habits" and inhibits creativity. Instead, Bo prefers to read the Chinese classics. End Summary.

#### Historical Ties

12. (C) New Chongqing Party Secretary (and former Minister of Commerce) Bo Xilai repeatedly stressed the historical ties between the United States and Chongqing during a March 13 meeting with the Ambassador at Diaoyutai State Guest House. Bo, who is in Beijing for the ongoing National People's Congress (NPC) session, said the current political and economic links between our two countries are a "continuation" of our "shoulder-to-shoulder fight" against Japan and fascism during WWII. Chongqing was the headquarters of Allied Forces during the War, during which time the Flying Tigers made "great contributions." The Stillwell Museum and Roosevelt Library are still in Chongqing today. Reflecting on this shared history, Bo said, motivates him to continue close economic cooperation with the United States today. The Ambassador agreed on the historical significance of Chongqing, noting that because of our shared wartime history, the city is familiar to, and holds a special place for, many

Americans.

Chongqing's Advantages, Master Development Plan  
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13. (C) Party Secretary Bo came across as an energetic salesman, enumerating Chongqing's economic advantages and future development plans, in which he hopes U.S. investment will play a key role. Bo talked at length about Chongqing's "master development plan," emphasizing that the municipality is China's largest and only centrally administered city in western China, which demonstrates the Central Government's "great determination" to develop the city. According to the PRC's master plan, both the "population and area" of Chongqing will be "greatly expanded" in the coming decade, which will make Chongqing the "economic center" of both the upper Yangtze River and all of western China. Bo stressed that this plan is Hu Jintao's vision, not just his own.

14. (C) Continuing his sales pitch, Bo said "many economists" have predicted that Chongqing will someday become the center of China's integrated circuit manufacturing. Chongqing also has many institutions of higher education, including in the areas of medical science, law and the fine arts. In terms of infrastructure, Chongqing has 1,000 kilometers of expressways and 1,200 kilometers of railways, as well as a large and growing electric power generation capacity. These transportation links connect China to Guangzhou, as well as to Burma. Meanwhile, the Yangtze River serves to link Chongqing to Shanghai. Another of Chongqing's advantages is its large natural gas reserves. In conclusion, Bo said the Central Government has many "special policies" to support Chongqing's economic development, and together with the support of "friends" such as the United States, Chongqing's

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prospects are "bright."

Desire for U.S. Investment  
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15. (C) Bo repeatedly emphasized his hope that U.S. companies will invest in Chongqing, noting that currently there is "some" but "not a great deal" of U.S. investment in the city. Chongqing's master development plan aims to expand foreign trade, and the city hopes U.S. companies will "take the lead" in this regard. In light of the Central Government's plans for Chongqing, there are "great opportunities" for U.S. enterprises, Bo asserted, especially in manufacturing, as well as in the environmental protection, energy conservation and information technology sectors. Development of Chongqing's natural gas reserves is another potential area of cooperation, which is already taking place in the service outsourcing and software sectors.

16. (C) Chongqing is "extremely pleased" to enjoy cooperation with U.S. firms in the automobile and motorcycle manufacturing sectors, Bo said, noting he had "just learned" that Ford plans to establish a third automobile assembly line in Chongqing, which will reportedly produce 205,000 units annually, thus becoming a "large economic force" in the western China market. Chongqing welcomes this third line and will provide the "best conditions possible" for it, Bo declared. Bo asked that the Ambassador convey to Ford Chongqing's "welcome" of this new line, and the Party Secretary said he hoped to have the U.S. Government's support

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as appropriate to make the new line a reality.

17. (C) Commenting further on ties with the United States, Bo noted that Seattle is Chongqing's sister city. Bo visited Seattle in 1984, commenting that, like Seattle, Chongqing emphasizes environmental and ecological issues. In fact, Chongqing hopes to become a "garden" and "forest" city and has plans to build two scenic areas along the banks of

Chongqing's two major rivers, the Yangtze and Jialing.

¶18. (C) While welcoming the news of investment opportunities for U.S. firms, the Ambassador noted that, despite the fact that several large American corporations are reportedly quite happy with economic conditions in Chongqing, some U.S. small and medium-sized enterprises (SMEs) have encountered difficulty in Chongqing because of the local trade and investment bureaucracies. In addition, even though Chongqing's location on the Yangtze facilitates river transport, some American firms report that transportation on the Yangtze has proven costly and inefficient. Bo did not respond to the SME and transportation concerns.

#### Reflection on MOFCOM Days, Bilateral Trade

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¶19. (C) Reflecting his status as the former Minister of Commerce, Bo commented on U.S.-China trade relations by saying he was pleased the volume of bilateral trade has surpassed USD 300 billion, a figure that Bo said had "shocked" the Japanese Ambassador when Bo mentioned it to him earlier in the day. Bo expressed pleasure over learning that the growth rate of imports from the United States was "far higher" than that of PRC exports to the U.S. market. China is the third largest export market for the United States, and if China continues its efforts, it hopes to soon become the second largest. Speaking partially in English, Bo commented that President Bush has done a great deal to improve U.S.-China trade relations, which has served to improve bilateral relations overall. Bo specifically noted that President Bush "vetoed" several "improper motions" proposed by the U.S. Congress, observing that, in doing so, the President appeared to have given consideration to the "entire bilateral relationship."

#### Governance Challenges

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¶10. (C) In response to the Ambassador's question, Bo Xilai said making Chongqing a "real metropolis" is his "greatest challenge" as Party Secretary. Even though Chongqing is technically the world's largest city, with a population of over 32 million, two-thirds of its residents live in rural areas. Therefore, increasing Chongqing's urban population and decreasing the numbers of rural dwellers is a "huge challenge." As a major metropolis, Chongqing should have a great deal of industry, employment opportunities and a concrete plan to further urbanize, in addition to striving to raise residents' living standards. Bo called his efforts in Chongqing "coordinated urban-rural development."

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¶11. (C) Because of Chongqing's unique developmental challenges, especially its millions of rural residents, the city has been designated as an "experimental area" for coordinated urban-rural development, Bo said. Through such "experiments," Chongqing plans to raise the living standards and improve the industrial sector in the city's rural districts.

¶12. (C) Another "experimental task" for Chongqing, Bo said, is how to make Chongqing an "important pole of growth" in western China. Like the United States a century ago, China's challenge is how to develop its west. China's task in this regard is greater than that of the United States, Bo asserted, because to America's west lies the Pacific Ocean, while to China's west lies desert. Thus, China's western developmental challenges are quite different, and China has "its own way" of developing this area. For example, in the areas of education, trade, services and IT, China's west faces "specific conditions." The "golden waterway" of the Yangtze is a plus, as it provides a means of cheaper transportation than in other western Chinese areas. Moreover, Chongqing's relatively large population creates

great "consumer capability" for products such as automobiles.

#### Promoting Private Enterprise, SOE Reform

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¶13. (C) In response to the Ambassador's question, Bo said Chongqing "encourages" the growth of private enterprise, which has experienced "fast development" in the past few years. To further accelerate its development, Chongqing needs to increase foreign direct investment and expand the growth of the private economy. At the same time, Chongqing continues to promote state-owned enterprises (SOEs), even though FDI and the private economy are the two "major forces" in the city's growth. SOEs continue to reform and have "modernized" their shareholding and management system. A prime example, Bo said, is the Ford-Changan joint venture, in which Ford has a large stake. Bo reiterated that Chongqing is "quite open" and "welcomes" cooperation with foreign enterprises. China's Central Government continues to emphasize the overall policy of "opening up" to the outside world, Bo emphasized.

#### Chongqing's NPC Agenda

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¶14. (C) Chongqing is focused on three issues at the current NPC session, Bo said: new industries including in the information sector, the new socialist countryside policy and the Great Western Development Plan. All three issues have a direct impact on Chongqing. Another key issue at this NPC is the Central Government's increased investment in the education, social security and health sectors.

¶15. (C) The proposed restructuring of State Council ministries under discussion at the NPC will not have a great impact on Chongqing, Bo stated. The objectives of the restructuring are to reduce administrative costs, increase efficiency and reduce bureaucracy, all of which benefit Chongqing. If these reform goals are realized, the functions of the Central ministries will become clearer. Previously, when Chongqing wanted Beijing's help to solve a particular problem, it had to go to several different ministries. Now, Chongqing should be able to deal with just one ministry for each issue. China's administrative system is quite different from that in the United States, Bo stated, particularly because of the role Vice Premiers play in the Chinese system.

Because the State Council ministries all have "long histories," reform of them must be done "step-by-step," Bo said.

#### Role of Public Opinion

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¶16. (C) The Ambassador asked how Party Secretary Bo gauges the opinions of his city's 32 million residents, to which Bo replied that the rapid development of the media and the Internet have provided "many channels" for obtaining information on public preferences. Bo claimed to have "many opportunities" for communicating with people at the "grass roots." One example is the "letters and visits" (xinfang) system, which allows people to submit their "requests and grievances" to government officials. Chongqing also has a "statistical and analytical system" for following public preferences. For any government, Bo concluded, the two key tasks are preventing bureaucracy and getting to know the grassroots.

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¶17. (C) When asked whether he surfs the Internet, Bo replied "not a lot," complaining that the Internet contains lots of "junk" that is a "waste" of time. Instead, his "good assistants" screen information on the Internet for him. He also said if he spent too much time staring at a computer screen, it would "damage his eyes." The Party Secretary then launched into a tirade against television, saying he warns

children not to watch too much TV, as there is "even more junk" there than on the Internet. Watching too much TV creates all kinds of "bad habits." In China's history, even as recent as the 1950s and 1960s, there were many masters of art and literature, but not today. One reason is because most people focus their attention on the TV from the moment they wake up in the morning. Bo said he believes people's thinking has been "disturbed" by "junk TV messages," and people therefore are unable systematically to contemplate important issues. Americans today are entirely focused on the televised competition between Barack Obama and Hillary Clinton, which he found "silly." Meanwhile, in China, TV media are focused on the competition in Taiwan between Ma Ying-jeou and Frank Hsieh, which Bo said he does not watch. Instead, Bo stated, he prefers to read classics such as The Art of War, The Romance of the Three Kingdoms and similar works.

#### Bio Notes -----

¶18. (C) In addition to his reading preferences mentioned above, Bo Xilai commented on his daily exercise regimen, which he said consists of 20 minutes of exercises that he "created" himself. He also swims on occasion. Because Chongqing is a mountainous city with a much better climate than that of Beijing or northeast China, Bo said he gets a great deal of exercise by walking. He hopes to take up mountain climbing as well.

¶19. (C) Bo is an active and energetic interlocutor. He appeared to be well prepared, speaking at length without notes about Chongqing's conditions and the opportunities for U.S. firms. On several occasions, however, Bo appeared to recall points concerning topics covered earlier in the meeting, at which point he returned the conversation to the earlier subject until he had covered what appeared to be every bullet on his mental checklist. Bo displayed some English ability, clearly understanding pleasantries and making some of his points, including the one about President Bush's role in managing bilateral trade relations, in mostly correct, not too heavily accented English.

#### Participants -----

¶20. (U) Meeting participants:

##### Chongqing:

Bo Xilai, Chongqing Party Secretary  
Zhou Mubing, Chongqing Vice Mayor  
Hao Ming, Director General, Chongqing Foreign Affairs Office (FAO)  
Wu Bing, Director General, Chongqing Economic Commission  
Hong Liang, Deputy Director General, Chongqing FAO  
Lu Jin, Interpreter

##### U.S. Mission:

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Political Minister Counselor Aubrey Carlson  
Acting Economic Minister Counselor Eric Madison  
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PolOff Dan Kritenbrink (notetaker)  
Interpreter Jim Brown  
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